



VIETNAM DAILY NEWS

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Market Analysis

1. Large-cap stocks buoy market recovery

The local stock market recovered today, December 11, with the VN-Index rising 1.48 points, or 0.15%, at 961.78, backed by the rising prices of large-cap stocks.

On the Hochiminh Stock Exchange, the VN-Index rebounded and hit its highest level of the day after falling below the reference mark.

There were 216.5 million shares worth nearly VND4.4 trillion changing hands, down 10.8% in volume and 12.6% in value over the session earlier. In block deals, 57.9 million shares were traded with a total value of nearly VND1.5 trillion.

Among the top 10 large-cap stocks, only housing developer VHM dropped 0.44% at VND91,100, and property firm VIC and brewery firms SAB closed the day at their reference levels.

The remainder posted an increase, but the increase was not significant. Only lender TCB picked up over 1% at VND22,700.

In this group, retailer VRE was the best performer by liquidity with five million shares transacted.

As for other blue-chip stocks, lender CTG, consumer goods firm MSN, fuel distributor PLX

and national flag carrier HVN closed in the red. Meanwhile, many stocks recovered successfully, such as lender HDB, property enterprise NVL and jewelry company PNJ.

Notably, bank stock MBB rose 3.32% at VND21,800, with 3.5 million shares matched.

On the Hanoi Stock Exchange, the HNX-Index had the same developments as the VN-Index as it also fell below the reference level before going upward and reaching its highest level of the day.

The HNX-Index inched up 0.34 point, or 0.33%, at 102.38. Trading volume and value declined 20% and 32% at 24.67 million shares worth VND263.8 billion.

Of these, block deals accounted for 10 million shares worth over VND97.8 billion.

The recovery of three bank stocks on the Hanoi bourse helped the HNX-Index close above its reference level. Specifically, NVB edged up 1.06% at VND9,500, SHB added 1.67% at VND6,100, and ACB picked up 0.44% at VND22,900.

In addition, industrial firm VCS moved up 5.19% at VND83,100.

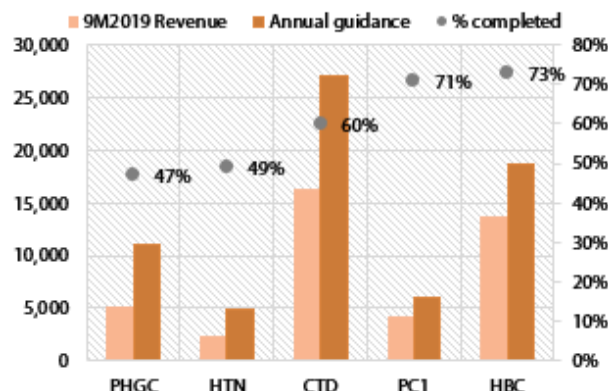
Macro & Policies

2. Vietnam's construction market struggles for sustainable growth

Even though the fourth quarter is the peak season for construction activities, the fact that negative growth in revenues of major construction companies means that the construction market is

still struggling to find a path to sustainable growth, according to Viet Dragon Securities Company (VDSC).

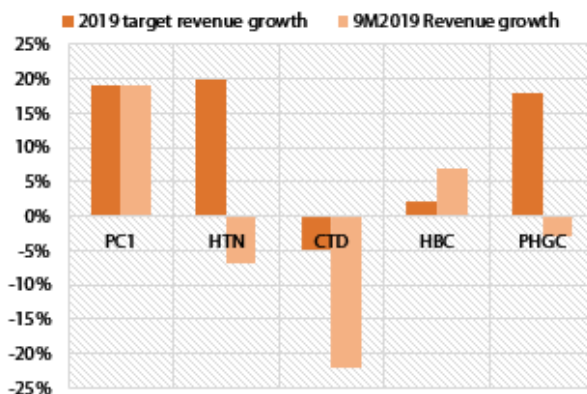
Figure 1: Construction companies' 9M2019 revenue



Source: Companies' reports, RongViet Securities compiled

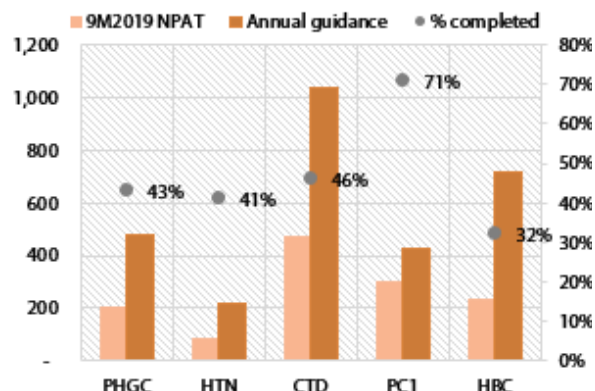
In terms of revenue, leading contractors in the residential segment completed a lower percentage of the year's estimate, ranging from a half to three fifths of the target, except for Hoa Binh Construction (HBC), who achieved nearly 73% of its 2019 revenue target.

Figure 3: Construction companies' 9M2019 revenue growth



Source: Companies' reports, RongViet Securities compiled

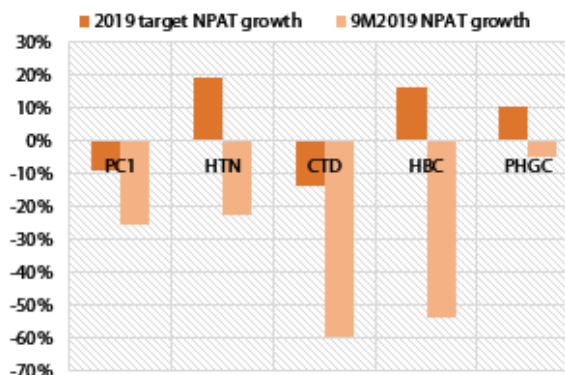
Figure 2: Construction companies' 9M2019 NPAT



Source: Companies' reports, RongViet Securities compiled

Power Construction No.1 (PC1), a contractor in the electricity construction business, stands out as it completed 71% of its target revenue for 2019. In terms of net profit after tax (NPAT), Ricons Construction Investment (PHGC), Hung Thinh Incons (HTN), and Cotecons Construction (CTD), are similar, completing less than half of their annual NPAT estimates, while that of HBC is roughly one third, different to PC1 which completed 71% of its annual target.

Figure 4: Construction companies' 9M2019 NPAT growth



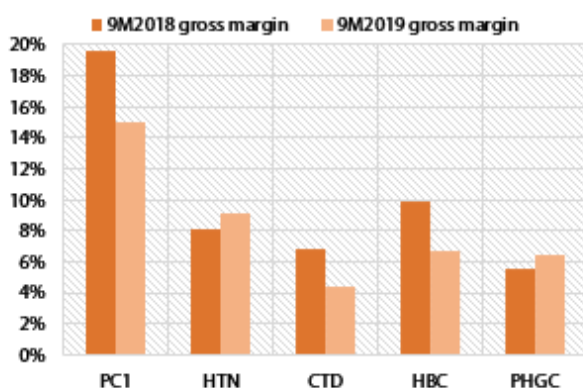
Source: Companies' reports, RongViet Securities compiled

Compared to the same period last year it seems that most companies did not achieved the growth target for the January – September period, except for PC1 and HBC. As of the end of the first quarter in 2019, many contractors were optimistic on 2019 growth prospects. However, as nine months have passed, HBC was the only contractor which exceeded its annual growth rate target for revenue even though the exceeding amount is marginal (7% compared to the targeted 2%), while PC1 managed to match its expectations. HTN and PHGC, both of which are involved in large housing projects in urban areas, experienced negative year-on-year growth in the nine-month period, due to postponed progress at major projects. CTD seems to be the only one who had predicted the slowdown of the business but still saw a stronger reduction than expected (revenue

down 22% in Jan-Sept versus a decline of 5% of whole year target).

All five large construction companies saw their net income decrease year-on-year in the January – September period. Except for PC1 whose performance was affected by discontinued real estate income, the remaining four companies, HTN, CTD, HBC and PHGC, seem to be in a contractionary phase. The larger the company is, the bigger the reduction in net income as CTD and HBC' NPATs went down by 60% and 54% respectively. Smaller companies were less affected. Again, among residential building companies, only CTD had predicted that this would be the trend at the beginning of the year while HTN, HBC and PHGC seem to be surprised by the sudden slowdown.

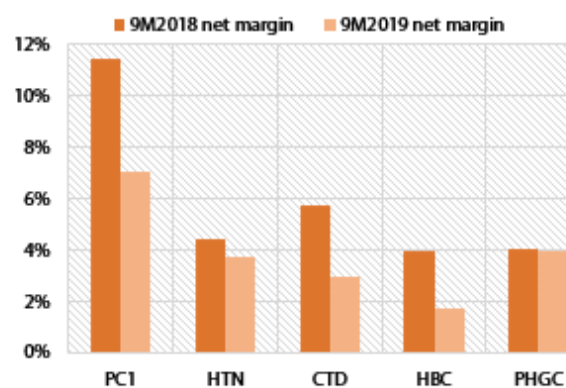
Figure 5: Construction companies' 9M2019 gross margin



Source: Companies' reports, RongViet Securities compiled

Gross margin results in the sector was uneven. Only HTN and PHGC managed to improve their gross margins. PC1, CTD and HBC's were lower compared to the nine-month period in 2018. VDSC said it expected the larger players to face greater price competition while smaller companies stuck to their traditional clients, who offered low but sustainable margins. However, the bottom-line

Figure 6: Construction companies' 9M2019 net margin



Source: Companies' reports, RongViet Securities compiled

ratio tells the same story among all five companies, which is a slowdown in profitability. While CTD, PHGC and HTN seem to have a similar net margin of 3-4%, HBC's net margin was heavily impacted by financial expenses, while PC1, again, took advantage of the electricity construction industry to keep a solid 7% net profit margin.

3. Sustainability could be competitive advantage for Vietnamese enterprises

Sustainability can be leveraged as a competitive advantage for Vietnamese enterprises and pave the way for new business models, according to Bjorn Savlid, head of Commercial Section at Business Sweden.

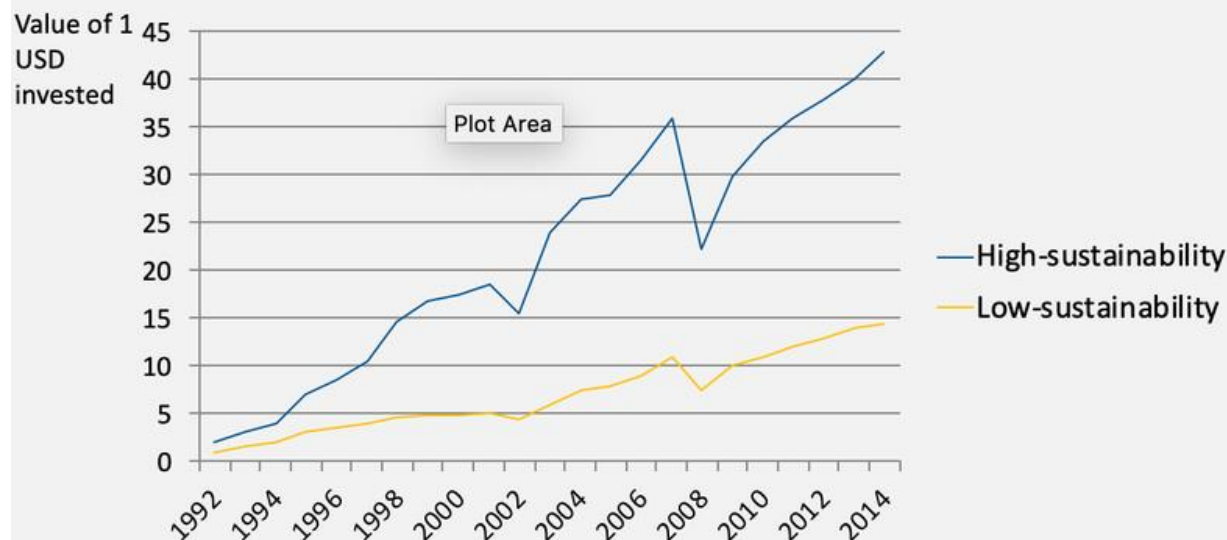
"Some say sustainability is a cost. On the contrary, we say it drives profits," said Savlid at a conference discussing corporate social responsibility in Vietnam on December 11.

Savlid cited a study conducted by Harvard Business School in 2015 which showed that high-sustainability companies outperform low-

sustainability companies, both in stock market value as well as accounting performance.

HIGH-SUSTAINABILITY COMPANIES PERFORM BETTER

Sustainability creates value



DATA: TURNING A PROFIT WHILE DOING GOOD. BROOKINGS INSTITUTION, 2014
CORPORATE SUSTAINABILITY: FIRST EVIDENCE ON MATERIALITY. HARVARD BUSINESS SCHOOL, 2015

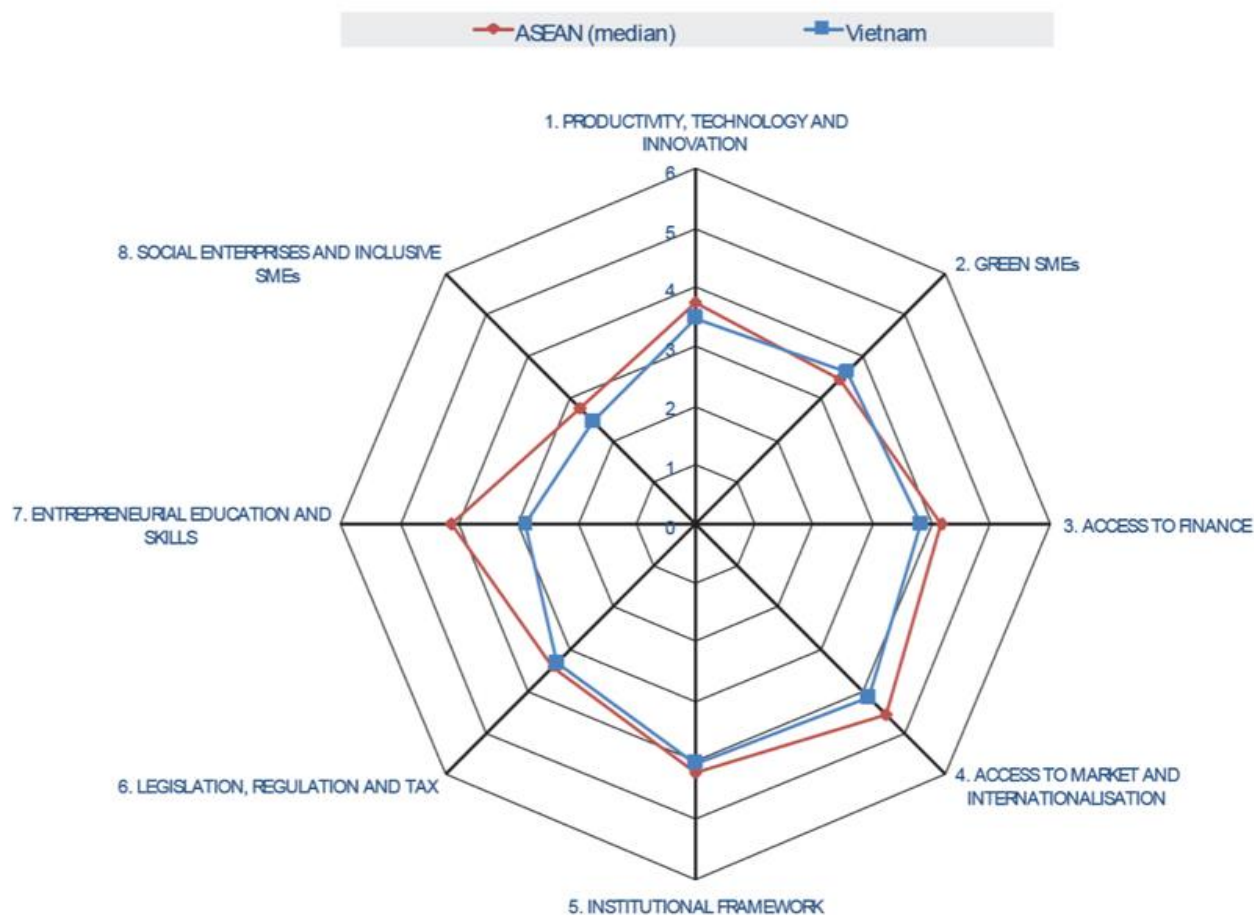
Between 1992 and 2014, the high-sustainability companies performed almost twice as well on the stock market as the low-sustainability companies did, added Savlid.

When Oxford University reviewed 190 of the highest quality academic studies conducted on the relationship between sustainability and performance they found that 88% indicated that the operational performance was improved by robust Environmental, Social and Governance practices. Growing revenue streams along positive forces in society is possible and provides a much more reliable and attractive business model for investors and consumers.

“The key to success is to focus on the sustainability factors which matters for your company and your business model,” he added.

Pham Viet Dung, editor-in-chief of Vietnam's Entrepreneur Magazine, said sustainability is the right direction for Vietnamese companies, especially as the country is considered by the World Bank as one of the most vulnerable countries to climate change.

Vietnam's further push for global economic integration and stronger commitments in next-generation free trade agreements, including the Comprehensive Progressive Trans – Pacific Partnership (CPTPP) and the EU – Vietnam Free Trade Agreement (EVFTA), is putting huge pressure on the country for pursuing the path of sustainable development, Dung continued.



SME 2018 policy index scores for Vietnam.
Source: OECD/ERIA (2018).

“However, the majority of enterprises have not set a clear vision and strategy towards sustainability, not to mention setting aside financial means to fulfill their corporate social responsibilities” Dung said.

Head of the Macroeconomic Policy Department under the Central Institute of Economic Management Nguyen Anh Duong said the government remains steadfast on comprehensive reform and promoting sustainable development among the business community.

“In addition to competitive pricing, Vietnamese enterprises must understand different aspects of sustainable development, such as environment, labor or the market.”

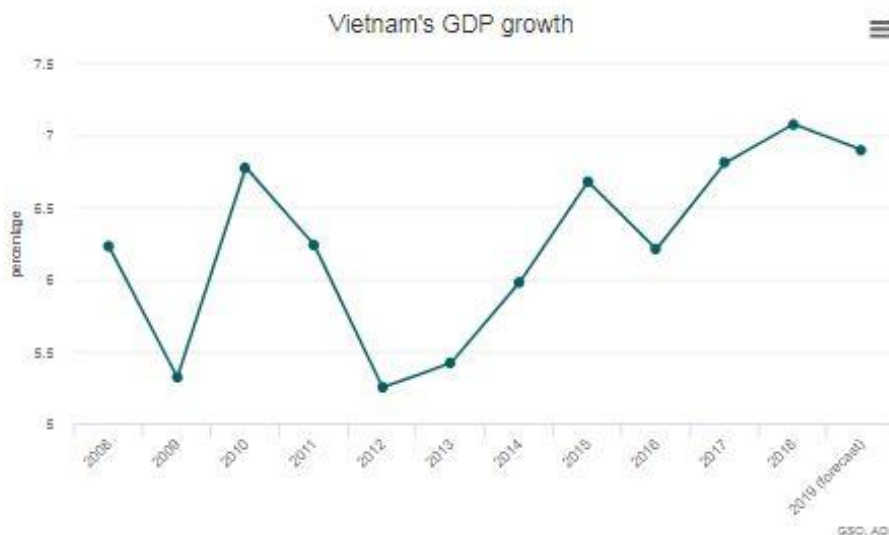
Secretary-General of the Vietnam Chamber of Commerce and Industry (VCCI) Nguyen Quang Vinh mentioned circular economy, which is now pursued worldwide to create a zero-waste economy, as a viable option for Vietnam.

Circular models target a more effective and optimal uses of natural resources, materials, products, semi-products and value they created, aiming to reduce the cost of loss and waste for the economy as well as protect our environment, Vinh stated, saying the preeminence of circular economy will create a more regular and sustainable development for nations than traditional linear models.

“It is time for us to act rather than talk. Vietnamese enterprises have to act more to fulfill sustainable development goals by 2030, while enterprises must play an essential role for a prosperous and sustainable Vietnam,” Vinh added.

4. ADB sees Vietnam growing faster than forecast

The forecast for next year too has been increased by a percentage point to 6.8 percent, the bank said in a release on Wednesday.



This is in contrast to Asia, for which it trimmed its forecast by 0.2 percentage points to 5.2 percent this year, due to persistent trade tensions and weakening domestic investment.

Vietnam achieved "unexpectedly strong" growth momentum in the third quarter, which could carry over into Q4, the ADB said.

Its GDP grew by 7.3 percent in Q3, dragging up the rate for the year-to-date to 7 percent, the highest for the period in the last nine years.

The strong growth was driven by the industrial sector, which even managed to offset a decline in growth in the agricultural sector, the Institute for Economic and Policy Research (VEPR) said in a recent report.

Growth was particularly strong in the mining sector, especially coal, it said.

But VEPR chief economist Pham The Anh said since growth this year depended heavily on exploitation of natural resources, the quality of growth has fallen, and Vietnam is facing environmental consequences like the recent increase in urban air pollution.

Experts have also warned that slowing exports could be a drag on GDP growth this year.

Economist Can Van Luc said: "Increasing trade tension and protectionism have had an impact on Vietnam's exports. Vietnam should lower its growth target for next year to 6.5-6.7 percent."

The country targets 6.6-6.8 percent growth this year, following a decade-high 7.08 percent rate last year.

5. Russia supports businesses in cooperation with Vietnam: Deputy PM Kozak

The Russian Government always supports its businesses in increasing cooperation with Vietnam, especially in the fields of oil and gas and

energy, according to Russian Deputy Prime Minister Dmitry Kozak.

He made the affirmation at a talk with his Vietnamese counterpart Vuong Dinh Hue in Moscow on December 10, which was held in the framework of an official visit by Vietnamese National Assembly Chairwoman Nguyen Thi Kim Ngan.

The two Deputy PMs shared the assessment that bilateral economic, trade and investment ties have recorded positive development in the recent past, with two-way trade value reaching 4.5 billion USD in 2018 and 3.77 billion USD in the first 10 months this year, and new investment projects launched.

In the context of multiple fluctuations in the world, the two sides agreed to coordinate to remove non-tariff barriers for each other's goods, especially for agricultural and fishery products, with a view to optimizing their potential and advantages created by the Vietnam-EAEU free trade agreement.

Deputy PM Hue stressed that Vietnam attaches importance to the partnership with Russia in oil and gas and energy, which are important pillars of the Vietnam-Russia comprehensive strategic partnership.

The two sides agreed to work to remove obstacles that are hindering their joint projects in Vietnam, and expanding the scale of joint projects in energy and oil and gas while improving the operational efficiency of joint ventures Vietsovpetro and Rusvietpetro. They pledged to facilitate the participation of oil and gas enterprises of both countries in new schemes in oil and gas exploration and exploitation, and gas-fuelled electricity generation.

The two Deputy PMs also examined bilateral cooperation in finance and banking, as well measures to implement high-level agreements on several key cooperation projects.

The same day, Deputy PM Hue received executives of Gazprom, Zarunehneft and Power Machines. He took the occasion to affirm that the Vietnamese Government always welcomes and creates favourable conditions for Russian firms to expand oil and gas exploration and exploitation activities in Vietnam's continental shelf as well as in other fields./.

6. PetroVietnam in need of investment capital

Demand for investment capital at the Vietnam Oil and Gas Group (PetroVietnam) and its member units for 2018-20 is estimated to reach 620 trillion VND (26.7 billion USD), PetroVietnam Securities Inc (PSI) recently announced.

According to Bui Huy Long, deputy general director of PetroVietnam Securities Inc, of the 620 trillion VND, loans accounted for more than 30 percent through traditional credit and bond issuances.

Urgent projects such as Thai Binh 2 Thermal Power Plant, Long Phu 1 Thermal Power Plant, Block B-O Mon Gas Project, Blue Whale Gas Project and Sao Vang – Dai Nguyet Gas Project, will require 4 billion USD, Long said.

Fitch Ratings last month assigned PetroVietnam first-time long-term foreign-currency issuer default rating (IDR) at 'BB' with a positive outlook.

This is a positive credit rating that will help PetroVietnam improve its ability to mobilise capital in the international market and diversify capital sources for investment projects in the context of restrictions for loans guaranteed by the Government.

This showed PetroVietnam's strong financial status and business performance as well as its bright business prospects, instilling confidence in domestic and foreign investors, financial institutions and strategic partners, especially during the group's restructuring process.

However, despite the increase in foreign investment inflow into Vietnam, FDI in the oil and gas industry was on the decline, from 2 billion USD per year previously to only a few hundred million USD, Long said.

In addition, policies related to the oil and gas industry are being tightened, making investors

worried, he told the Energy Journey 2019 conference organised by PetroVietnam Securities Inc (PSI) late November in the southern province of Ba Ria-Vung Tau.

Speaking at the conference, economist Vo Tri Thanh said that international organisations have forecast a deceleration for the global economy in 2020, amid ongoing worldwide uncertainty.

For the energy sector, businesses need to be ready to response to fluctuating oil prices. OPEC countries have cut production and Iran is under an oil embargo while the world witnesses an oversupply, and the US has become a major exporter thanks to shale oil exploitation, Thanh said.

According to Nguyen Son, chairman of the Vietnam Securities Depository Centre, bond issuance channel has become an effective way to raise capital on the stock market.

The new provisions in the recently-passed Securities Law would create a healthy development environment for the bond market, he said.

For petroleum enterprises, besides mobilising capital via bank credit, it is necessary to diversify capital sources such as export credit, bond issuance, financial leasing and FDI attraction, Son said./.

Corporate News

7. KBC: BOD approves transaction with related company

↓ -1.69%

The Board resolution dated December 10, 2019, the Board of Directors of Kinh Bac City Development Holding Corporation approved to

allow Kinh Bac – Da Nang Investment Com Ltd to borrow capital to supplement working capital with the loan value of VND 10,000,000,000.

8. Stock market briefs Dec 11, 2019

↑ 0.42%

HCMC – City Auto Corporation (CTF) will ask its shareholders at a meeting on December 21 for approval for a plan to sell more than 22.7 million shares to its existing shareholders at the 2:1 ratio. If approved, the shares will be issued in the first or second quarter of next year at a price of VND10,000 each, while the CTF share price is hovering around VND23,900. After the issue, CTF can increase its charter capital from over VND455 billion to VND683 billion.

HCMC – Digiworld Corporation will issue 1.2 million employee stock ownership plan (ESOP) shares at VND10,000 each. The shares are expected to be issued in the first quarter of next year.

HCMC – Vu Hai Bang, chairman of Nam Viet JSC (NAV), has registered to sell all his 1.05 million NAV shares, or a 13.14% stake, via put-through transactions from December 12 to 31.

HCMC – Hoang Anh Gia Lai JSC (HAG) will transfer all its 248.5 million shares at its subsidiary Hoang

Anh Gia Lai Hydropower JSC. The move is aimed at restructuring the company by divesting from ineffective sectors and enhancing investment in agriculture. HAG had earlier sold all its 196 million shares, or 47.93%, at Hoang Anh Gia Lai Land to Dai Quang Minh Real Estate Investment JSC.

HANOI – CemTech Vietnam Co., Ltd, a large shareholder of Quang Ninh Construction & Cement JSC (QNC), has bought three million QNC shares. Thus, CemTech Vietnam has raised its holding at QNC to six million shares, or 16.17%.

HCMC – Sai Gon Thuong Tin Real Estate JSC (SCR) has picked Le Tran Hong Phuc as deputy general director of the company from December 9. Phuc would take charge of SCR's investment and capital mobilization operations.

HCMC – Dat Phuong JSC (DPG) will issue VND150 billion worth of secured non-convertible bonds at a face value of VND100 million each. The two-year debt will carry a coupon of 11.5%.

Research Team: Tsugami Shoji Researcher jsi@japan-sec.vn

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Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn